



State of Utah  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION OF STATE LANDS AND FORESTRY

Michael O. Leavitt  
Governor

Ted Stewart  
Executive Director

Scott Hirschi  
Division Director

3 Triad Center, Suite 400  
355 West North Temple  
Salt Lake City, Utah 84180-1204  
801-538-5508  
801-355-0922 (Fax)

5/015/040

May 17, 1994

CERTIFIED MAIL NO. P 051 448 228

David Taylor  
Miracle Rock Mining & Research  
PO Box 28  
Ferron, UT 84523

Dear Mr. Taylor:

RE: ML 42844 & ML 42844A-Clay  
S/015/040 Emery County

The terms and conditions of the above-numbered lease and the rules of the division require that upon submitting a notice of intent to commence mining the Lessee shall, upon Lessor's request, post a bond with the division. A bond is required primarily to ensure the reclamation of mined land disturbances but shall also be conditioned upon the payment of rentals and royalties which may become due the state.

Division records indicate that you are mining and have disturbed approximately five acres of ground. The rules of the division require a bond of \$5,000 per acre of surface disturbance. The \$2,000 bond which you presently have on file with the division is inadequate and you are requested to immediately submit a replacement surety bond in the amount of \$25,000, or \$5,000 per acre, using the enclosed surety bond form. The Surety must be registered in Utah. In-lieu of a surety bond you may submit a \$25,000, or \$5,000 per acre, short term renewable certificate of deposit with a Utah banking institution, providing the division is listed as a co-owner of the CD. Upon receipt of the replacement bond the division will release your \$2,000 CD. Alternatively, you may submit a bond in the amount of only \$23,000 to compliment the \$2,000 presently held by the division.



David Taylor-Letter  
May 17, 1994  
Page Two

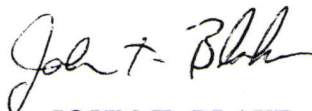
Also, the terms and conditions of the lease require that production be reported monthly and that royalty be paid upon the leased substances that are mined and removed from the leasehold not later than the last day of the month following the month in which the production occurred. Division rules require that interest be paid upon delinquent royalty at the average adjusted prime rate plus 4%, compounded annually.

Division records indicate that production reports and royalty payments have not been received for this lease during the past couple of years. I am enclosing the division's production report form for clay. Please immediately report production which has occurred under the lease and submit your royalty payment at the rate specified in the lease agreement, plus any interest payment which may be due the state.

Failure to comply with these requests within the next 30 days may subject the lease to cancellation pursuant to Article XIX of the lease agreement.

Thank you for your cooperation. Please call me if you have any questions.

Sincerely,



JOHN T. BLAKE  
MINERAL RESOURCES SPECIALIST

JTB/tdw

cc: Wayne Hedberg